MERLIN

2006

Annual Report

Manitoba

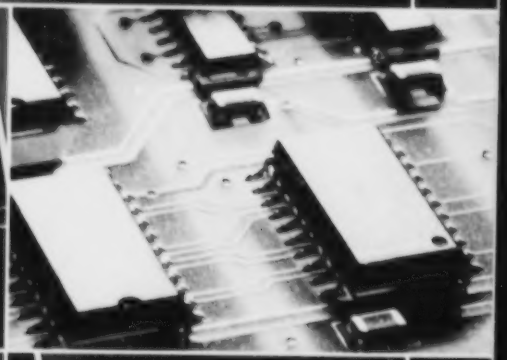
Education

Research

Learning

Information

Networks



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Manitoba

Education

Research

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Networks

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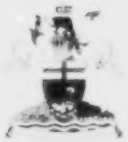
Letter from the Minister



MINISTER OF
ENERGY, SCIENCE AND TECHNOLOGY

Legislative Building
Winnipeg, Manitoba CANADA
R3C 0V8

June 27, 2006

The Honourable John Harvard
Lieutenant Governor of Manitoba
Room 235, Legislative Building
Winnipeg, MB R3C 0V8

Your Honour:

I have the privilege of presenting the Manitoba Education, Research and Learning Information Networks (MERLIN) Annual Report for the operational year ending March 31, 2006.

Respectfully submitted,

Honourable Dave Chomiak

Letter from the Deputy Minister

Manitoba

Deputy Minister of
Energy, Science and Technology

Room 349, Legislative Building
Winnipeg, MB R3C 0V8
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(204) 945-2771
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June 23, 2006

The Honourable David Chomiak
Minister of Energy, Science and Technology
Room 333, Legislative Building
Winnipeg, Manitoba
R3C OV8

Dear Minister Chomiak:

I am pleased to submit for your consideration the Annual Report of the Manitoba Education, Research and Learning Information Networks (MERLIN) special operating agency for the year ended March 31, 2006.

The Agency has undertaken several exciting initiatives which will have a positive impact on the education community in Manitoba. MERLIN's Advisory Board is playing a key role in bringing together K-S4 and post secondary stakeholders to look at broadband connectivity options and to collaboratively plan a strategy for connectivity for the education sector in the province. MERLIN's proposed Partner Program will bring major cost savings to school divisions in Manitoba by bundling multiple services and consolidating software purchases on behalf of all divisions in Manitoba.

I would like to take this opportunity to thank the Advisory Board for their support and advice and staff for the dedication and effort that has contributed to MERLIN's success.

Respectfully submitted,

John Clarkson
Deputy Minister

Message from the Chief Operating Officer

On behalf of staff, I am pleased to report on the achievements of the Manitoba Education, Research and Learning Information Networks (MERLIN) for the year ending March 31, 2006.

The past year MERLIN's newsletters have highlighted a recurring message about challenges, communication, and collaboration in our search for suitable and sustainable solutions to schools' technology problems. This is an opportunity to reflect on the past year and measure our progress.

With support, advice, and recommendations from school divisions, the Departments of Education, Citizenship and Youth and Energy, Science and Technology, and education organizations such as MERLIN's Advisory Board, CECM, ManACE, MASS and MASBO, the Agency has undertaken to be both pro-active and responsive to the needs of the education community. We believe the launch of the MERLIN Partner Program is a major step in this direction. This centralized model will translate into many future benefits to the education community by encouraging connectivity, consolidating the purchasing power of divisions, and creating a broader opportunity for divisions to share and collaborate on many levels. School divisions have shown their faith in MERLIN through support of the Partner Program and MERLIN is committed to providing the best professional service possible to earn and maintain that support. Future opportunities can be endless and we are excited to hear about and share in your ongoing suggestions and ideas.

MERLIN's Advisory Board continues to work on school divisions' behalf through the Education Sector Connectivity Committee to identify long term sustainable plans that will support school divisions' needs into the future. We value their contributions that have been so important in keeping us informed and knowledgeable about the community we serve.

We thank many individuals in the education and government community who have supported our endeavours over the past year. Your candid comments, suggestions, and ideas have created a collaborative environment of which we are pleased to be part.

We're looking forward to fostering new relationships and partnerships and building on our established ones.

Regards,

C.J. Ackland

Cathy Ackland
Chief Operating Officer (Acting)
MERLIN

Agency Profile

BACKGROUND

Manitoba Education, Research and Learning Information Networks (MERLIN) was established in 1995 as a special operating agency with the Department of Education and Youth. It was formed as a facilitating body to coordinate the delivery of technology services to the education community across Manitoba.

Following a five-year Effectiveness Evaluation, MERLIN revisited its goals and objectives and re-focused its efforts to be more pro-active and responsive to the needs of the education community.

In October 2002, MERLIN was transferred to the newly formed Department of Energy, Science and Technology.

MISSION

To support the use of technology in improving educational services to learners.

MANDATE

Provide services that support educational institutions in the application of technology tools to enhance and expand program delivery; and

Provide direction and management in the educational use of networks, acting as a broker of services to meet client needs.

CRITICAL SUCCESS FACTORS

Focus on the K-12 system

Focus on provincial services

Improve access to MERLIN's services for rural and northern schools

Proactive planning

GOALS AND OBJECTIVES

Goals:

Provide products and services in a manner which improves equity across the province;

Provide products and services that support self-sufficiency at the school division level;

Support communication between the Department of Education, Citizenship and Youth and school divisions in the area of learning technologies;

In consultation with the Department of Education, Citizenship and Youth, provide support and direction in distance learning initiatives with a focus on the technology infrastructures required to deliver distance learning opportunities;

Support the goals of the Department of Energy, Science and Technology and the Department of Education, Citizenship and Youth;

Be pro-active in embracing opportunities and fostering relationships to the advantage of the educational community.

Objectives:

Aggregate demand across the province for hardware and software to provide better opportunities for all divisions;

Build on existing business relationships with suppliers to improve the range of connectivity options available to remote school divisions;

Develop linkages with aboriginal organizations to improve their ability to take advantage of Agency initiatives;

Provide services to rural and northern school divisions at costs similar to urban divisions to increase equity among all divisions;

Agency Profile

Collaboratively develop provincial standards across the K-12 system for the use of information technology that will result in higher reliability and lower costs;

Provide training to school divisions to assist them in acquiring the skills required to sustain operations and enhance their own technology infrastructures;

Deliver specific services directly to those divisions where the technical resources are unavailable;

Play a coordinating role in promoting a collaborative approach among school divisions in order to maintain standards and apply economies of scale;

Continue to regularly meet, consult, discuss, and collaborate with the Department of Education, Citizenship and Youth and school divisions to strengthen ties between curriculum planning and technology supply.

SERVICES

Provincial Licensing/Purchasing:

Licensing and purchasing on a province-wide basis helps ensure consistency in hardware and software products and provides economies of scale for smaller school divisions.

- Purchase advice and assistance for hardware such as routers, switches and firewalls
- Negotiation of software licensing agreements and hardware discounts
- Advice on licensing and purchasing of software

Conferencing Services:

Audio conferencing services provide school divisions and post-secondary institutions with an option for course delivery and communication. Other government departments and organizations subsidize the cost to education by using excess bridge time.

- Operation of a 68-port digital audio conference bridge
- Audio conferencing advice and consultation
- 24x7 technical support and maintenance

Internet Services:

- High speed direct connect services
- Help line support (1-800 service and email)
- MERLIN Advisory (requiring immediate action from school divisions)
- Internet content filtering services for schools, school divisions, individual modem users
- Listservs (set-up and administration)

CyberSchools Education Portal:

This portal is intended to provide a safe and secure environment for Manitoba students to develop their skills in using the Internet in order to communicate easily and effectively with others in the electronic age. It is available at no charge to all K-12 students, teachers, administrators and other school division staff.

Agency Profile

Web Delivery Services:

- Technical support of the WEB server
- Technical maintenance of the Department of Education, Citizenship and Youth WEB page
- WebCT administration and maintenance
- Web and email hosting

Information Technology Services:

These services fall within the areas of network, desktop, and security.

- Technical evaluations of computer equipment and networks
- Advice on the selection of technical equipment and services
- Support for the installation and maintenance of computer labs and systems
- Advice on technologies that support distance education delivery
- Research and development
- Router networks and support
- Network systems management
- Security services (Virtual Private Networks, Wide Area Networks, etc.)
- General support for the education community

Technical Training:

Customized training to school divisions assists them to sustain operations and enhance their own technology infrastructures. Training services are intended to provide education-specific training in areas where it might not normally be available.

- Support for applications of distance education
- Delivery of workshops and seminars on distance education topics
- Seminars and workshops related to the practical use of technology. Examples: Licensing; Network security; GroupWise; Border Manager; Basic network administration; Windows 2000/XP Professional; Desktop Management; Portal administrative training

Provincial Technology Research and Development:

MERLIN has a core of highly trained specialists who play a role in developing core infrastructures and technology standards. The intent is to lead a collaborative process with participation from the K-12 community to develop and implement standards for the use of technology across Manitoba. This is an ongoing process intended to lead to lower costs for school divisions through standardization and collaboration.

- Create and maintain architectural design standards and models
- Develop and institute 'best practice' guidelines for installation and ongoing operation of hardware and software infrastructures
- Development of an educational portal (CyberSchools) for cost-effective and efficient use of Internet connectivity

Agency Profile

MARKETS

Primary

Schools and school divisions (K-12) comprised of approximately 37 school divisions, over 700 public schools, 94 independent schools and over 50 band-operated schools within approximately 62 First Nations.

Secondary

Approximately 7 post-secondary institutions, adult learner centres, Department of Education, Citizenship and Youth, Advanced Education and educational organizations.

[redacted]

Other government departments and related organizations.

While MERLIN does not have a monopoly for its services within the province, it does have a unique position in the education community allowing for the provision of an education-specific component to decision-making, provincial coordination, and advisory services. The Agency attempts to foster cooperative relationships with private industry to benefit the education community.

Performance Review

PERFORMANCE TARGETS AND ACCOMPLISHMENTS

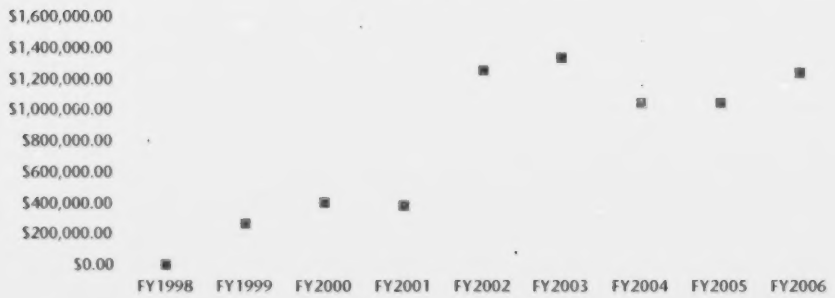
Performance Areas

- Focus on the K-12 system
- Focus on provincial services
- Improve access to MERLIN's services for rural and northern school divisions
- Encourage a culture that supports sustainable development practices in the workplace

The following services have made an impact on our overall performance areas.

PROVINCIAL LICENSING AND PURCHASING

Software Sales



Cost savings to the education community was approximately $335,780 obtained through using MERLIN's licensing service.

MERLIN has educational licensing agreements with the following vendors:

- **Microsoft:** The Academic Select Agreement will be renewed May 31, 2006
- **Adobe:** The Adobe Authorized Academic Off-Campus Reseller Agreement was renewed in January 2006
- **Macromedia:** Adobe acquired Macromedia in December 2005
- **Symantec:** The Symantec Government Alliance Program (GAP) Master Contract was renewed in December 2005
- **McAfee:** A fixed volume discount for McAfee Active Virus Defense (anti-virus solution)
- **Corel:** The CLP Universal Academic Agreement was renewed on May 31, 2005 through to May 30, 2007
- **Novell:** MERLIN is a Novell Gold Partner and maintains an ongoing agreement to assist with the management of the Novell School Licensing (SLA) Agreement. This agreement provides schools with significant savings on Novell product.

MERLIN negotiated standing offer agreements with the following vendors in the last fiscal year:

- **Synrevoice Technologies Inc.** for SchoolConnects which assists schools and school divisions by enhancing communication among parents, teachers, and administrators. SynreVoice Technologies provide on-site SchoolConnects systems to Manitoba Educational Organizations with a discount of 5% off the regular end-user prices. SynreVoice also provide SchoolConnects Hosted service at a rate of 10% below regular end-user subscription prices.

Performance Review

- **FirstClass:** A FirstClass Pricing Agreement was entered into on June 30th, 2005. FirstClass is a communications software solution.
- **Computer Associates**: This standing offer was negotiated for the eTrust AntiVirus and Pest Patrol products.

There was a significant increase in Adobe and Microsoft license purchases by Manitoba schools in this fiscal year.

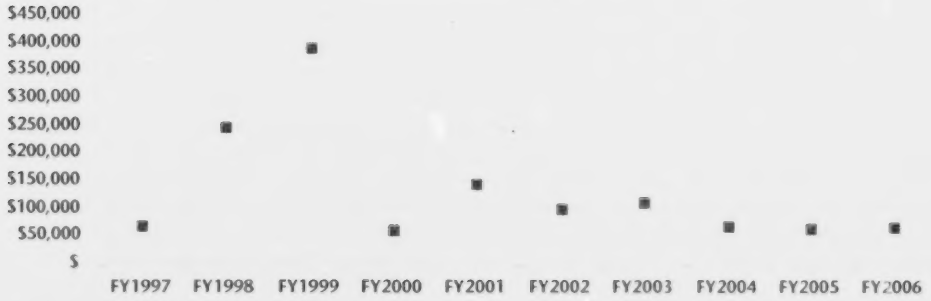
Hardware Purchasing:

The following chart includes sales of routers, switches, firewalls, virtual private networks (VPN) and miscellaneous items.

MERLIN became a reseller of Barracuda Networks for anti-spam and anti-virus filtering service in January 2006.

For large orders, MERLIN encourages schools to tender for their hardware purchases. MERLIN offers a fixed educational price for networking equipment for schools.

Hardware Sales

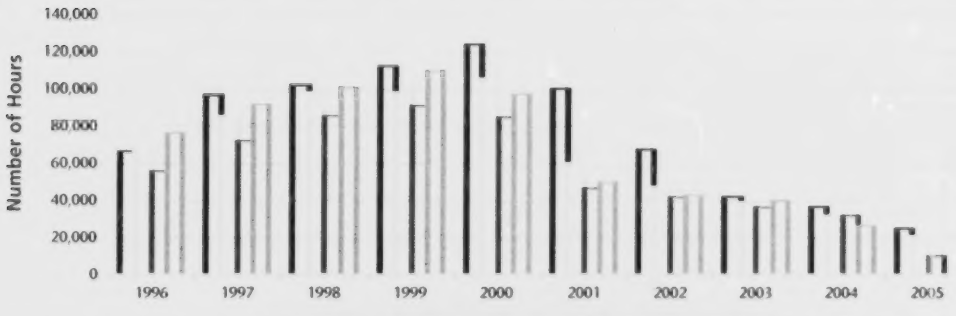


INTERNET (Dial-up)

MERLIN discontinued service for the dial-in modem pool for the Winnipeg area effective August 31, 2005. This service was originally transferred to MERLIN from the Department of Education and Youth in 1995 and peaked in usage in 2000. Usage of this service declined significantly in recent years due to uptake and evolution of broadband technology.

Over the past 10 years, a total of 2,741,504 modem connect hours were utilized by the education community.

Dial-Up Modem Pool



Performance Review

Internet Accounts

MERLIN continues to provide Internet accounts to schools who are interested. This does not include any modem pool access.

CYBERSCHOOLS EDUCATION PORTAL

This customized Portal provides:

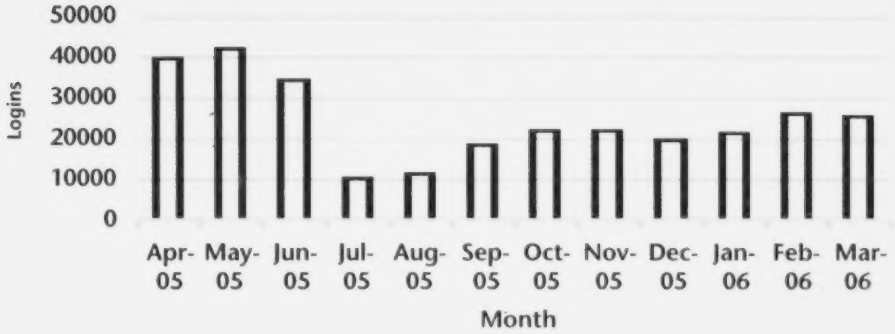
- Email and web-based calendar
- A safe, secure environment
- Password protected log-in
- Anti-virus and anti-spam filtering on emails
- All communication to/from the Portal is encrypted
- All content on the Portal is accessible only by users on the CyberSchools Portal.

This Portal is available at no charge for Kindergarten to Senior 4 students, teachers, administration and other school division staff.

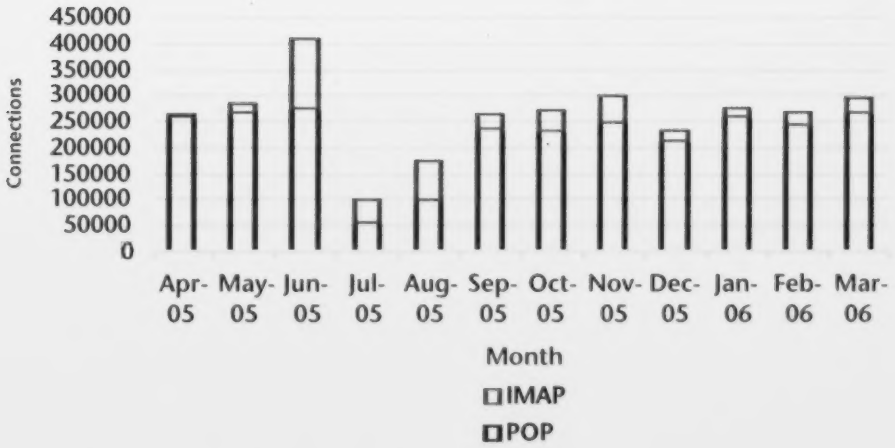
As of March 31, 2006, 18 school divisions and private schools have been transitioned onto the Portal for a total of 26,000 users. The ultimate decision regarding access for individual schools, students or grade levels within schools in the division rests with the school division. Additional school divisions will continue to be transitioned onto the Portal at their request.

Performance Review

Cyberschools Web Logins



Cyberschools Email Client Connections



HIGH SPEED DIRECT CONNECT SERVICES

Direct Connects: Direct, high-speed services are provided to schools via fibre, wireless, high-speed circuits and the Provincial Data Network (PDN). MERLIN continues to provide and explore value-added services such as bandwidth shaping, firewall, anti-spam, antivirus and web content filtering.

Manitoba Regional Advanced Network (MRnet): MRnet is Manitoba's connection to the global high-speed (at least 1 Gb/s) education and research network through CA*net 4. MERLIN is the gateway organization for K-12 school connectivity to CA*net 4. The connection is available at no extra charge to schools that connect through MERLIN's Internet service and will provide access to a growing inventory of broadband content. To date, MERLIN has 9 school divisions connected to MRnet.

Performance Review

Provincial Data Network (PDN): Over the past few years, MERLIN has been working on a strategy to make the PDN available to schools as an additional connectivity option. The PDN connects computer systems in government offices and some agencies, boards and crown corporations. The PDN also connects all 84 community hospitals in Manitoba with other healthcare offices. MERLIN has facilitated access to the PDN for schools in Manitoba. Some current connections in locations include:

- Falcon Beach
- Norway House
- Snow Lake
- Stonewall
- Swan River
- Teulon
- The Pas
- Thompson
- Selkirk
- Split Lake
- Cross Lake
- Churchill
- Warren
- McCreary
- Dauphin
- Flin Flon

Total number of connections: **21 (last year – 11 connections)**
Total number of schools: **55 (last year – 43 schools)**

MERLIN continues to be engaged in supporting the Provincial Broadband Strategy through work with stakeholders, the education community, and other government departments to implement high-speed Internet connectivity for all Manitoba schools. Connectivity will increase learning opportunities for Manitobans and make a wide range of both formal and informal learning opportunities more accessible for learners regardless of location.

In support of the Provincial Broadband Strategy, MERLIN has filled an active role on the MRNet Board of Directors linking the Agency and participating school divisions with MRNet and CaNet*4.

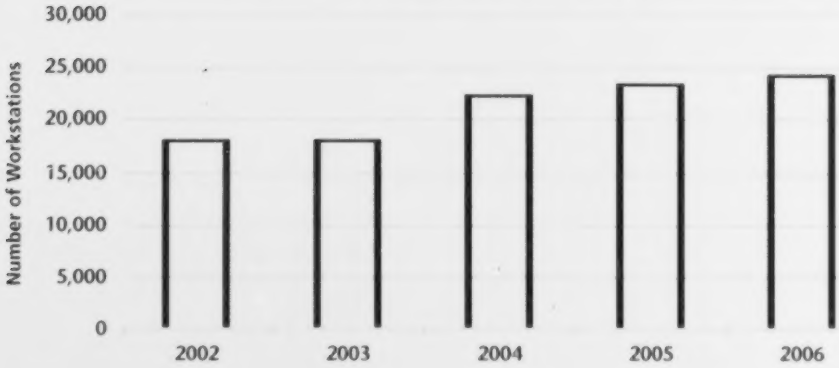
MERLIN's Advisory Board has undertaken a number of initiatives in the past year on behalf of the education community. Most notably they have represented the K-12 community on an Education Working Committee formed to develop a feasibility study for the education sector in partnership with post-secondary institutions, the Department of Energy, Science and Technology and MRNet.

The Education Connectivity Committee has developed a survey which has been distributed to all superintendents in Manitoba via email by the Department of Education, Citizenship and Youth. The purpose of this survey is to gather information through which the government can assess requirements and related benefits that an expanded Provincial Data Network (PDN) might bring to the educational sector in Manitoba.

Performance Review

Content Filtering:

Content Filtering Comparison



The number of workstations being filtered has grown from 18,000 to 24,165 since July 1, 2001. There are presently 16 school divisions and two private schools involved in this program. MERLIN entered into a new 3-year provincial Content Filtering Agreement effective July 1, 2004. The impact is long-term cost-savings to school divisions through discounted fees as well as reduced staff time and training resources.

Anti-virus/anti-spam Email Filtering Service:

All email accounts hosted by MERLIN are scanned for spam as well as for viruses. This includes email accounts with CyberSchools and MERLIN Internet accounts. This service is available to any school division who runs their own email server for an annual per user fee.

Email List Server:

This electronic mail discussion list gives each mailing list a unique web page and allows users to subscribe, unsubscribe, and change their account options over the web. To date, there have been 52 lists created.

Email Mailing Lists

Performance Review

Web Delivery:

MERLIN continued to provide technical support of the web server and maintenance of the Department of Education, Citizenship and Youth's web page.

MERLIN provided appropriate facilities to host the IRU/DREF from the Department of Education, Citizenship and Youth's library system and associated databases.

The Agency hosted and managed a number of secondary school courses for web-based distance delivery (WebCT). This provided an opportunity for teachers to create and deliver courses and for students to access courses not otherwise available. MERLIN is also assisting in the transition to the latest version of WebCT.

MERLIN provided web and email domain hosting. This service allows education and educational organizations to have a presence on the Internet at very affordable rates.

MERLIN purchased a server dedicated to host FirstClass, a communication tool being used by many school divisions.

MERLIN hosted and supported FirstClass on behalf of the Department of Education, Citizenship and Youth

Technical evaluations of computer equipment and networks:

The following major projects were completed within the last fiscal year:

MERLIN has been involved with most of the school divisions in the province in a consulting role assisting with IT related projects across the province. Some of the work done includes the following:

Deployed a provincial solution for MS SharePoint

Set-up and hosted FirstClass for multiple school divisions

Set-up Novell virtual for a school division

Deployed Solaris 10 for x86 for provincial web hosting services

Deployed Microsoft live communication server for internal use

Hosted a trial for Students Achieve software

Investigated the hosting of Maplewood software

Designed LAN and Wireless Wide Area Network to address security and traffic management issues

Provided network equipment installation and implementation

Rolled out a solution that provided the ability for the school division to manage their wireless WAN by providing enhanced security and functionality including remote management capabilities

Installed, configured and provided remote management of division firewalls

Performance Review

Setup managed switches for entire WAN infrastructure for a school division, including LAN connectivity server OS, routers and firewalls

Deployed and maintained:

- Several solutions with server based computing and thin client technologies using a combination of Windows Servers and Linux Technologies
- Email solutions with products including SUN Messaging Server, SUN Calendar server, Microsoft Exchange and Novell GroupWise
- Firewall and Proxy solutions with products including Novell Border Manager, Microsoft ISA server, Cisco PIX, Linux
- File and Print solutions using Microsoft Servers, Novell Servers and Linux Samba servers
- User Directories with Microsoft Active Directory, Novell E-Directory, and SUN Directory Server
- Workstation management tools including Novell Zenworks and Symantec Ghost Corporate Edition
- Virtual Private Network technologies with products such as Cisco PIX, Cisco VPN Concentrator and Novell Border Manager
- Database server including Oracle, Microsoft SQL server and MySQL
- Web servers including Microsoft IIS, Apache and SUN Enterprise Web server
- Fault monitoring solutions such as Nagios and Microsoft MOM server
- E-Learning solution (WebCT) transitioned from version 4 to version 6
- Data protection technologies including Veritas Backup Exec, and Veritas Data Centre with various Tape Autoloader Technologies
- Blackberry Enterprise server and Blackberry handheld devices
- Multiple Antivirus Enterprise solutions
- Intrusion Detection Systems and Intrusion Prevention Systems
- Provincial solutions to fight email spam and virus outbreaks
- Bandwidth management tools such as Packeteer for application layer traffic filtering on internet traffic
- Provincial Content Filtering solution
- Server and workstation hardware from vendors including SUN, IBM, Dell, HP, Acer and many others.

MERLIN has also been researching new technologies and products such as Novell SUSE Linux, web conferencing, VOIP, Microsoft BizTalk, new secure wireless technologies, Intrusion Prevention Systems, virtualization software (VMware, Microsoft Virtual PC, Microsoft Virtual server and Solaris Zones), asset inventory software and new firewall technologies, CISCO ASA, and Checkpoint.

Performance Review

Business development:

In collaboration with school divisions, MERLIN has researched, developed and marketed the MERLIN Partner Program. The Program provides provincial solutions for common services that all school divisions use including:

Licensing for Microsoft desktop software

Access to Internet bandwidth

Web content filtering

And other services

MERLIN works with Manitoba School for the Deaf providing management of their network, support for several systems including servers, firewall, email system (includes webmail), file servers, terminal services environment, full desktop and printing management support.

General support to the education community:

MERLIN staff member is Co-chair of the conference planning committee and President of Manitoba Association for Distributed Learning and Training (MADLaT). This includes planning an annual 2-day conference to provide professional development on distance and distributed learning to over 200 participants from Manitoba, Saskatchewan, Ontario and the northern US. MERLIN's audio conferencing bridge was used extensively for meetings to plan the conference as well as meetings of the Board of Directors.

MERLIN staff assisted ManACE with a pre Special Area Groups (SAG) evening in October 2005.

MERLIN staff assisted with planning of CECM West's third annual Build Your Teaching Experience Conference (BYTE 2005) which took place in February.

MERLIN staff conducted numerous presentations, attended meetings, and provided personal consultations with school divisions on the Agency's new MERLIN Partner Program.

MERLIN staff attended meetings with the Computer Education Coordinators of Manitoba (CECM) in both the Central and Westman regions.

MERLIN staff is Treasurer of the Manitoba Regional Advanced Network (MRnet).

MERLIN staff is a member of the Computers for Schools Manitoba Board of Directors and Chair of the Computers for Schools Manitoba Management Committee.

MERLIN staff participates on the Canadian Association for Distance Education (CADE) Website Committee to redesign and maintain the organization website.

The Agency distributed the MERLIN Newsletter to the education community in September 2005, January and March 2006

The Agency's help line continued to be widely used for free technical support on concerns ranging from Internet access to network and computer hardware issues responding to thousands of inquiries.

Performance Review

MERLIN participated in the trade show at Riding the Wave Annual Conference in May in the Evergreen School Division.

Staff attended the Manitoba Association of School Superintendents Annual Conference in November 2005.

MERLIN staff attended the Post Secondary Education Committee on Learning Technologies (PSECLT) meetings on a regular basis. The committee oversees the operation of Campus Manitoba.

MERLIN promotional information was sent to the MAST and MASS annual magazines for inclusion.

MERLIN Advisory Board - Broadband initiative

MERLIN staff participated as part of Possibility of Technology (PoT) committee to look at various web conferencing tools

MERLIN's 8th Annual Technology Day

MERLIN's Strategic Planning days - (May 2005)

Licensing of First Class

Pilot with SharePoint

Staff participated as part of CECM subcommittees

TECHNICAL TRAINING

Customized training to school divisions assists them to sustain operations and enhance their own technology infrastructures. Training services are intended to provide education-specific training in areas where it might not normally be available. MERLIN is responsive to the needs of school divisions and organizes workshops and training sessions to meet their expressed needs. School division technicians, computer coordinators, teachers, and administrative staff attend MERLIN's workshops. Whenever possible, MERLIN delivers workshops in rural communities or as part of a larger professional development opportunity making training more accessible to rural school divisions.

Performance Review

AUDIO CONFERENCING (Teleconferencing)

MERLIN operates a 68-port digital audio bridge that provides school divisions and post-secondary institutions with an option for course delivery and communication. Government departments and related organizations subsidize the cost to education through use of excess bridge time. Costs are approximately 30% less than the public service provider rates.

Fiscal Years	Total Port Minutes
2000 - 2001	1,250,741
2001 - 2002	1,245,212
2002 - 2003	1,288,770
2003 - 2004	1,285,048
2004 - 2005	1,065,334
2005 - 2006	888,514

Cost savings to the education community was approximately $103,875 through using MERLIN's audio conferencing service.

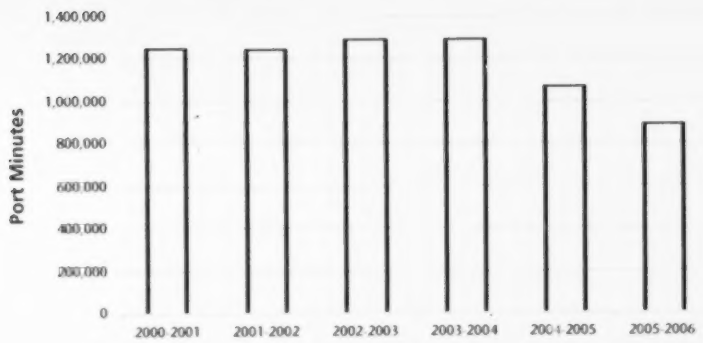
Client Base	2002-2003	2003-2004	2004-2005	2005-2006
Teacher-Mediated Option	670,097	670,424	492,125	476,838
Post-Secondary	95,805	31,379	29,480	25,399
Red River College	185,332	186,270	191,386	0
Dep't Education	60,398	23,566	32,365	9,977
School Divisions	9,150	5,380	4,882	4,474
Other Departments	211,829	251,744	216,606	295,263
External Organizations	41,150	103,521	83,732	61,781
MERLIN	15,009	12,764	14,758	14,782

"Teleconferencing for Frontier School Division is a necessity given our remote and challenging geography. We use it for Technology Department staff meetings, ad hoc committee meetings, administrative strategy meetings and the like. The service has always been reliable. On the rare occasion where assistance was needed, the help desk responded rapidly and efficiently. The ability to communicate with the IT team and stakeholders simultaneously was critical to many planning and implementation sessions and could not have been done as efficiently or effectively without the teleconferencing services provided by MERLIN."

Stephen Dudar, Asst. Supt. IT

Performance Review

Fiscal Years: 2000-2006



Cost savings to the education community was approximately $103,875 obtained through using MERLIN's audio conferencing bridge.

Encourage a culture that supports sustainable practices in the workplace:

Accomplishments:

Used recycled paper

Paper shredding for recycling

Shared rides where possible

Turned off computers and monitors when not in use

Turned off lights when not in use

Used glass rather than paper or Styrofoam plates and cups

One third of staff participated in the Commuter Challenge

Increased use of audio conferencing for staff meetings and other meetings

MERLIN's audio conferencing service is recognized as a sustainable practice by the Manitoba Government Sustainable Development Committee

Purchased refillable pens

Encouraged use of duplex capability on Dell printer

"I have been a member of the Provincial Government's Information Technology community for several years and therefore aware of MERLIN, but I had not kept current with MERLIN's activities. Approximately one year ago after taking on a new role that involves a need for periodic conference calls, I was pleasantly surprised to discover that MERLIN offers an Audio Conferencing Service.

I have found the service to be exceptionally professional while also providing a lower cost than other similar services. I therefore strongly recommend to others within the Provincial Government that you seriously consider converting to MERLIN for your audio conferencing needs."

Dale Watson,
Application Management Services
ICT Services Manitoba
Energy, Science and Technology

Performance Review

FUTURE OUTLOOK

MERLIN Partner Program – With support, advice, recommendations, and collaboration with school divisions, the Departments of Education, Citizenship and Youth and Energy, Science and Technology, and education organizations such as MERLIN's Advisory Board, CECM, ManACE, MASS and MASBO, the Agency has met some of its challenges and continues to work vigorously on others. MERLIN's bundled service proposal has received overwhelming support from the education community. The real work has just begun for the Agency as staff plan and solidify the next steps.

Future recommendations on CyberSchools – Discussions will be initiated in Fall 2006 with stakeholders.

Connectivity – The Education Sector Connectivity Committee continues to work towards a long term sustainable plan that will support school divisions' needs into the future.

Hosting of application services – More divisions continue to approach MERLIN with proposals for hosting applications that can serve multiple clients. The Agency anticipates an increase in this area.

Office move – The Agency is relocating its main office to SmartPark, a research and technology park at the University of Manitoba, in September 2006.

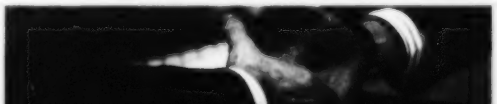
"Until MERLIN unveiled its partnership agreement, there was no economical way for our District to provide students and staff with MS Office. Keeping track of licensing was also a headache. We are very pleased that this agreement will permit us to standardize our software easily and economically."

Brian Adolph, Technology Coordinator, Mystery Lake School District, Thompson.

Manitoba Education Research Learning Information Networks

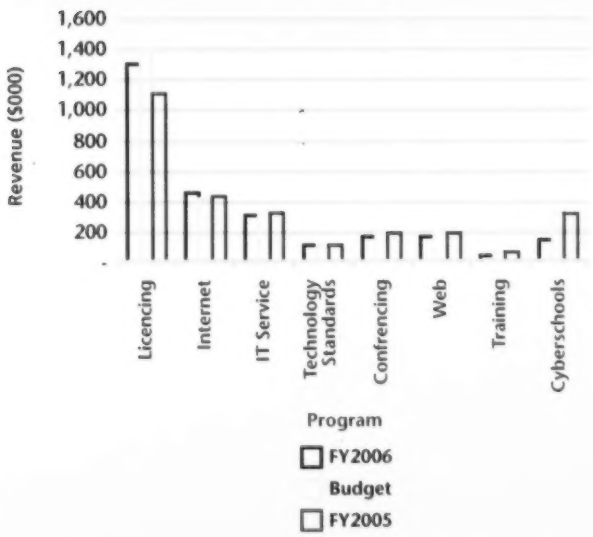
"Rolling River is very pleased with the announcement regarding the MERLIN Partner Program. The timing could not be better for Rolling River as we were in the process of upgrading the operating and office suites in the division. Because of this announcement, we will be able to do all the upgrades in one year instead of phasing in over a 3 year period. But the real plus is that we can do this at a fraction of the cost that we were budgeting. For Rolling River School Division this Partner Program represents ten of thousands of dollars in savings over the next 3 years. We are very pleased that MERLIN took an active role in negotiating this partnership."

Grant Butler, Computer Education Coordinator, Rolling River School Division, Minnedosa

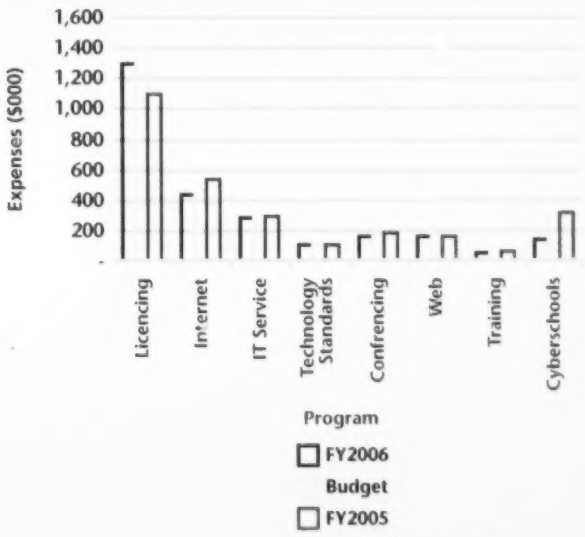


Financial Statement Analysis

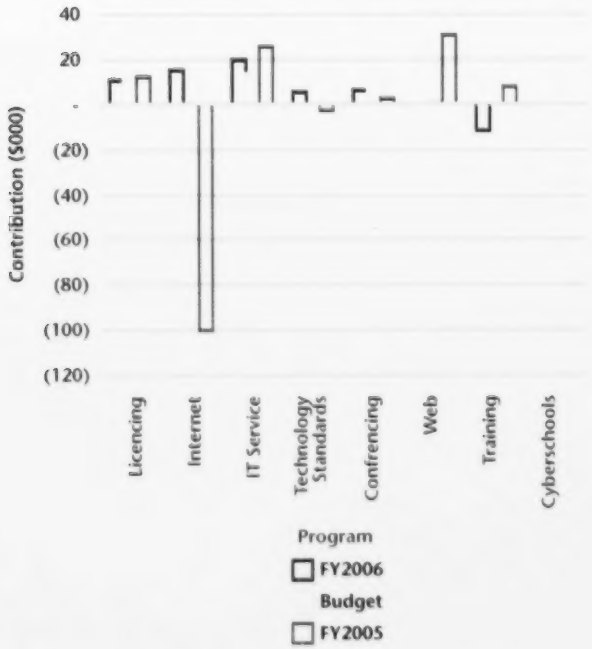
Revenue by Program



Expenses by Program



Contribution by Program



Management Report

MERLIN

Manitoba • Education • Research • Learning • Information • Networks

The accompanying financial statements are the responsibility of the Management of Manitoba Education, Research and Learning Information Networks (MERLIN) and have been prepared in accordance with Canadian generally accepted accounting principles. In Management's opinion, the financial statements have been properly prepared within reasonable limits of materiality, incorporating Management's best judgement regarding all necessary estimates and all other data available up to May 12, 2006.

Management maintains internal controls to properly safeguard MERLIN's assets. These controls also provide reasonable assurance that the books and records from which financial statements are derived accurately reflect all transactions, and that established policies and procedures are followed.

The Auditors' responsibility is to express an independent opinion on whether the financial statements of MERLIN are fairly presented in accordance with Canadian generally accepted accounting principles. The Auditors' report outlines the scope of the audit examination and provides an audit opinion.

On behalf of Management.

Cathy Ackland
Chief Operating Officer (Acting)

David Olafson
Controller

Manitoba Education, Research and Learning Information Networks (MERLIN)

May 12, 2006

Manitoba

Education

Research

Learning

Information

Networks

Room 137 - Education Building, University of Manitoba, Winnipeg, MB R3T 2N2
TOLL FREE: 1-800-430-6404 TEL: (204) 474-7800 FAX: (204) 474-7830

MERLIN is a special operating agency with the Department of Energy, Science and Technology

www.merlin.mb.ca

Financial Statements

BDO

BDO Dunwoody LLP/s.r.l.
Chartered Accountants and Advisors
Comptables agréés et conseillers

700 - 200 Graham Avenue
Winnipeg, Manitoba, Canada R3C 4L5
Telephone/Telephone (204) 956-7200
Fax/Télécopieur (204) 926-7201
Toll Free/Sans frais 1-800-268-3337
www.bdo.ca

Auditors' Report

To the Special Operating Agencies Financing Authority:

We have audited the balance sheet of **MANITOBA EDUCATION, RESEARCH AND LEARNING INFORMATION NETWORKS**, an Agency of the Special Operating Agencies Financing Authority Province of Manitoba as at March 31, 2006 and the statements of income and deficit, and cash flows for the year then ended. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Agency as at March 31, 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Dunwoody LLP

Chartered Accountants

Winnipeg, Manitoba
May 12, 2006

BDO Dunwoody LLP *is a Limited Liability Partnership registered in Ontario*
BDO Dunwoody s.r.l. *est une société à responsabilité limitée constituée en Ontario*

Financial Statements

BALANCE SHEET

	2006	2005
ASSETS		
CURRENT ASSETS		
Cash and funds on deposit	$ 573	$ 401
Accounts receivable	119	289
Prepaid expense	64	99
	756	789
RECEIVABLE FROM THE PROVINCE OF MANITOBA (note 2)	47	47
CAPITAL ASSETS (note 3)	81	146
	$ 884	$ 982
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 251	$ 274
Unearned revenue	80	75
	331	349
CYBERSCHOOLS (note 6)	786	917
SEVERANCE PAY LIABILITY (note 7)	82	73
	1,199	1,339
COMMITMENTS (note 9)		
DEFICIT (page 25)	(315)	(357)
	$ 884	$ 982

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Financial Statements

STATEMENT OF INCOME AND DEFICIT

	2006	2005
REVENUE		
Province of Manitoba - Energy, Science and Technology Funding	$ 446	$ 446
Fee for goods and services	2,037	1,912
Other	9	8
Cyberschools	131	310
	2,623	2,676
EXPENSES		
Advertising and promotion	15	16
Amortization	80	96
Audit and legal fees	7	24
Bad debts	–	7
Communications	261	251
Conferences	–	24
Cost of purchases for resale	1,126	933
Cyberschools		
Salaries and benefits	91	140
Other expenses	40	170
Equipment repair and maintenance	68	78
Occupancy	53	55
Office and miscellaneous	24	21
Professional development	6	13
Purchased services	2	3
Salaries and benefits	781	838
Travel	27	35
	2,581	2,704
NET INCOME (LOSS) FOR THE YEAR	42	(28)
DEFICIT – BEGINNING OF YEAR	(357)	(329)
DEFICIT – END OF YEAR (page 24)	$ (315)	$ (357)

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Financial Statements

STATEMENT OF CASH FLOWS

	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss) for the year	$ 42	$ (28)
Adjustment for Amortization	80	96
	122	68
Changes in non-cash working capital		
Accounts receivable	170	(104)
Prepaid expenses	35	32
Accounts payable	(23)	66
Unearned revenue	5	4
Trust liability	–	(1)
	187	(3)
Severance liability	9	7
	318	72
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital assets	(15)	(13)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cyberschools	(131)	(310)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	172	(251)
CASH AND CASH EQUIVALENTS, – BEGINNING OF YEAR	401	652
CASH AND CASH EQUIVALENTS, – END OF YEAR	$ 573	$ 401

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Summary of Significant Accounting Policies

BASIS OF REPORTING

The financial statements of the Agency are presented in accordance with Canadian generally accepted accounting principles.

CAPITAL ASSETS

Capital assets are recorded at cost and are amortized annually on a straight-line basis as follows:

Computer hardware	20%
Computer software	20%
Equipment and furniture	20%

In the year of acquisition, amortization is calculated at one-half the rate indicated.

REVENUE RECOGNITION

Provincial funding is recognized over the term for which it applies.

Fees for service are recognized as the service is performed or ownership of goods has been transferred. Internet charges are recognized once service has been provided, and billed at the end of each quarter. Special projects are billed based on the terms of the contract.

Revenues for the Cyberschools project have been received in advance and are taken into income as expenditures are incurred.

FINANCIAL INSTRUMENTS

The Agency's financial instruments consist of cash and funds on deposit, accounts receivable, accounts payable and accrued expenses and severance pay liability. Unless otherwise noted, it is management's opinion that the Agency is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values, unless otherwise noted.

USE OF ESTIMATES

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

Notes to Financial Statements

1 NATURE OF ORGANIZATION

Effective April 1, 1995, Manitoba Education, Research and Learning Information Networks (MERLIN) was designated as a Special Operating Agency pursuant to The Special Operating Agencies Financing Authority Act, Cap S185, C.C.S.M. and operates under a charter approved by the Lieutenant Governor in Council. Effective September 25, 2002, the Agency operates as part of Manitoba Energy, Science and Technology, under the general direction of the Deputy Minister.

The Agency is financed through the Special Operating Agencies Financing Authority (SOAFA). SOAFA has the mandate to hold and acquire assets required for and resulting from Agency operations. It finances the Agency through repayable loans and working capital advances. This financial framework enables the Agency to operate in a business like manner according to public policy expectations.

A Management Agreement between SOAFA and the Minister of Energy, Science and Technology assigns responsibility to the Agency to manage and account for the Agency related assets and operations on behalf of SOAFA.

The Agency remains bound by relevant legislation and regulations. It is also bound by administrative policy except where specific exemptions have been provided in its charter in order to meet business objectives.

The Agency is economically dependent on the Province of Manitoba as it derives much of its revenue and all of its financing requirements from the Province.

2 RECEIVABLE FROM THE PROVINCE OF MANITOBA

The receivable from the Province of Manitoba is made up of vacation entitlement earned by the employees of the Agency prior to creation of the Special Operating Agency on April 1, 1995 and for severance pay benefits earned prior to April 1, 1998. This receivable, or portion thereof, for the Agency, will be collected in the event there is a cash shortfall. However, this is only likely to happen on dissolution of the Agency. The balance consists of:

	2006	2005
Vacation entitlements	$ 19	$ 19
Severance pay benefits	28	28
	$ 47	$ 47

Notes to Financial Statements

3 CAPITAL ASSETS

	2006		2005	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Computer hardware	$ 401	$ 332	$ 402	$ 286
Computer software	8	8	18	18
Equipment and furniture	94	82	96	66
	$ 503	$ 422	$ 516	$ 370
Cost less accumulated amortization		$ 81		$ 146

4 WORKING CAPITAL ADVANCES

These advances are provided to the Agency through the Special Operating Agencies Financing Authority pursuant to the Management Agreement. The Agency has an authorized line of working capital advances of $2.0 million of which $NIL was used at March 31, 2006.

During the year, the Agency incurred interest charges of $NIL (2005 - $NIL).

5 ACCRUED VACATION ENTITLEMENTS

The Agency follows the policy of the Department of Finance to recognize accumulated vacation entitlement liability. The liability is offset by a receivable from the Province of $19, which was the balance as at March 31, 1998. Any subsequent changes to the entitlement are reflected as a current year expense to the Agency. At March 31, 2006, the accrued vacation entitlement was $117 (2005 - $97).

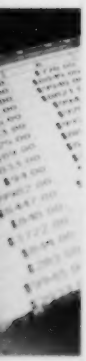
Notes to Financial Statements

6 CYBERSCHOOLS

The Agency has entered into an agreement with Community Connections to develop, implement and operate a province-wide communication gateway/portal to support K-12 education and Community Connections lifelong learners. The service will include access to secure email, calendars, and file storage.

Receipts and disbursements are as follows:

	2006	2005
Deferred balance, beginning of year	$ 917	$ 1,227
Disbursements	(131)	(310)
Deferred balance, end of year	$ 786	$ 917



7 SEVERANCE PAY LIABILITY

Effective April 1, 1998, the Agency began recording accumulated severance pay benefits for its employees. The amount of severance pay obligations is based on actuarial calculations. The periodic actuarial valuations of these liabilities may determine that adjustments are needed to the actuarial calculations when actual experience is different from that expected and/or because of changes in actuarial assumptions used. The resulting actuarial gains or losses are amortized over the expected average remaining service life of the related employee group.

An actuarial report was completed for the severance pay liability as of March 31, 2005. The report provides a formula to update the liability on an annual basis. The Agency's actuarially determined net liability for accounting purposes as at March 31, 2006 was $82 (2005 - $73). Commencing in the 2006 fiscal year the actuarial loss of $2 is being amortized over the 15 year expected average remaining service life of the employee group.

8 REVENUE – MANITOBA EDUCATION, CITIZENSHIP AND YOUTH

The Agency is responsible for the delivery of distance education and technology programs formerly provided through Manitoba Education, Citizenship and Youth. The Agency receives a fee from the Department, established annually and paid quarterly, in exchange for delivery of these services.

Notes to Financial Statements

9 COMMITMENTS

The Agency leases office space under a long-term lease which expires September 30, 2006. The future minimum payments required under this lease are:

2007	$ 26

The Agency is in discussion to enter into a lease for the period from October 1, 2006 to January 31, 2009. The anticipated future minimum payments for base rent under this lease are:

2007	$ 18
2008	36
2009	30

10 PENSION BENEFITS

Employees of the Agency are eligible for pension benefits in accordance with the provisions of the Civil Service Superannuation Act (CSSA), administered by the Civil Service Superannuation Board (CSSB). The CSSA established a defined benefit plan to provide benefits to employees of the Manitoba Civil Service and to participating agencies of the Government, including the Manitoba Education, Research & Learning Information Network, through the Civil Service Superannuation Fund (CSSF).

Effective March 31, 2001, pursuant to an agreement with the Province of Manitoba, the Agency transferred to the Province the pension liability for its employees. Commencing April 1, 2001, the Agency was required to pay to the Province an amount equal to its employees' current pension contributions. The amount paid for 2006 was $48 (2005 - $38). Under this agreement, the Agency has no further pension liability.

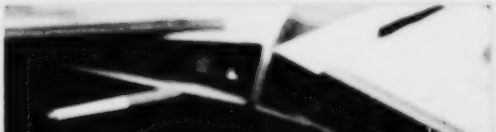
11 PUBLIC SECTOR COMPENSATION

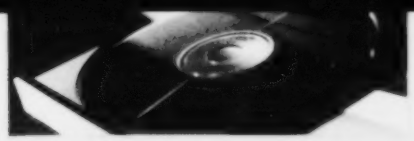
Pursuant to The Public Compensation Disclosure Act, employees of MERLIN who have received compensation of $50 or more, including benefits and severance payments, in the year ended March 31, 2006 are disclosed in the Special Operating Agency Financing Authority (SOAFA) Annual Report.

Schedule to Financial Statements

Schedule of Operating Results by Functional Area

	2006	2005
REVENUE		
Provincial licencing and purchasing	$ 1,303	$ 1,102
Internet services	446	426
Information technology services	296	315
Provincial technology standards	100	100
Electronic conferencing	155	183
Web delivery services	157	182
Technical training services	35	58
Cyberschools	131	310
Total Revenue	2,623	2,676
EXPENSES		
Provincial licencing and purchasing	1,293	1,090
Internet services	431	527
Information technology services	277	290
Provincial technology standards	95	103
Electronic conferencing	149	181
Web delivery services	158	152
Technical training services	47	51
Cyberschools	131	310
Total Expenses	2,581	2,704
NET INCOME (LOSS)		
Provincial licencing and purchasing	10	12
Internet services	15	(101)
Information technology services	19	25
Provincial technology standards	5	(3)
Electronic conferencing	6	2
Web delivery services	(1)	30
Technical training services	(12)	7
Cyberschools	–	–
Total net income (loss) for the year	42	(28)
DEFICIT – BEGINNING OF YEAR	(357)	(329)
DEFICIT – END OF YEAR	$ (315)	$ (357)





Appendix 1– Staff as at March 31, 2006

Cathy Ackland
Acting Chief Operating Officer

Audrey Allen-Rebizant
Acting Provincial Licensing and Software Sales Specialist

Jared Bater
Consultant, Unix Technologies

Kiley Bender
Senior Consultant

Barb Finnimore
Email / CyberSchools Administrator

Darrell Finnimore
Media Technician

Warren Grieder
Consultant, Internet Technologies

John Hiebert
Consultant, Networking Technologies

Debbie Jennings
Regional Representative and Distance Education Specialist

Diane Karalash
Office Manager

Colette Lafond-D'Heilly
Communications and Marketing Manager

David Olafson
Comptroller

Grant Wallin
Manager, Information & Communication Technologies

Greg Baylis
Chief Operating Officer

Lynn Fillion
Provincial Licensing and Software Sales Specialist

Appendix 2 – Advisory Board

Don Reece
Chair, Urban Representative
Director of Instructional Technology
Pembina Trails School Division

Sam Steindel
Departmental Representative
Coordinator, Distance Learning & Information Technologies Unit

Darlene Dufily
Rural Representative
Superintendent,
Interlake School Division

Howard Burston
First Nations Representative
Technology Specialist
Manitoba First Nations Education Resource Center

Craig Cuddy
Computer Education Coordinators of Manitoba - West Representative
Prairie Spirit School Division

Gerry Miller
Post Secondary Representative
Executive Director,
Information Services and Technology,
University of Manitoba

Phil Taylor
Manitoba Association of Computing Educators Representative
Dept Head - Education Technology
St. John's-Ravenscourt School

Cam Mateika
Northern Representative
Director of Research & Technology
Swan Valley School Division

Rob Carnegie
Computer Education Coordinators of Manitoba - Central Representative
Administrator of Technology
St. James Assiniboia School Division

Gilbert Michaud
Departmental Representative
Special Projects Coordinator
Division du Bureau de l'Education Française

Cathy Ackland
Chief Operating Officer (Acting)
MERLIN

MERLIN

A SPECIAL OPERATING AGENCY
WITH THE DEPARTMENT OF
ENERGY, SCIENCE AND TECHNOLOGY

Manitoba

Education

Research

Learning

Information

Networks

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